

# CHARITIES COMMISSION STATEMENT OF INTENT



2008 – 2011

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# Chair's Overview

Charities have always been an important part of New Zealand's social fabric. The *Charities Act 2005* established the Charities Commission to ensure that the charitable sector continues to receive public support and to advise government on issues affecting the sector.

The Commission began operating on 1 July 2005. We have now completed our third year of operations, in which we achieved the following:

- we continued to receive and process applications for registration. By the end of June 2008, over 8,000 charities had been registered
- the new IT system, which allows charities to submit information for applications for registration and annual returns online, went live on 4 November 2007
- we commenced our monitoring and compliance function with the receipt of the first annual returns from charities in September 2007
- the recruitment of the registration team was completed in March 2008. The team has a total of 40 staff to process applications for registration
- we addressed significant legal issues relating to the assessment of applications for registration and reviewed registration analysis guidelines and the Commission's published material
- we continued with our communications and education functions including encouraging organisations to apply early for registration, and educating those involved in the sector on how to apply for registration
- we undertook several reviews of our registration processes and decision-making procedures to ensure that they were operating effectively and efficiently
- we continued to develop our relationship with the charitable sector and other key stakeholders; and

- we held five Annual Meetings in Wellington, Christchurch, Dunedin, Auckland and Tauranga in November and December 2007.

This past year has been another busy one and I am confident that we have established a good foundation to carry out the Commission's functions effectively in the years ahead.

Although there are still many unknowns and uncertainties surrounding our operations, this Statement of Intent provides an outline of our priorities and the direction we want to head over the next three years. We do not know, for example, the actual number of charities who intend to register. However, we do have the capability to process 25,000 applications by 31 December 2008.

The Commission has identified its overall outcome as *"a strong, effective charitable sector in which the public has trust and confidence."* The Commission on its own cannot achieve this overall outcome, as other external influences will affect it. However, we believe that if the Commission successfully delivers its outputs and activities and achieves its intermediate outcomes then it will have a positive impact on the overall outcome.

There is a risk to the delivery of the Commission's outputs in 2008/09, given the current level of applications for registration forecast and the projected resources required to process those applications. The Commission is managing this risk by making changes to its processes to ensure the registration process is as efficient as possible. The Commission is also reviewing the assumptions underlying the current level of funding provided.

While we have a number of functions under the Charities Act, our key focus for the next year is to complete the processing of applications for registration received on or before 30 June 2008 by the end of December 2008. In the following two years, our focus will move to processing annual returns, monitoring

activities, and providing information and support on governance and good management.

Over the next three years, the Commission faces a challenging financial outlook if it is to achieve its statutory functions set out in the *Charities Act 2005*.

The Board and staff of the Charities Commission are committed to:

- developing an organisation that charities and the public can have confidence in
- undertaking our functions in a responsive and open manner, and
- becoming an authority and leading debate around the promotion of a strong, effective charitable sector in which the public has trust and confidence for the advancement of the charitable sector as a whole.

We understand that to fulfil our mandate under our Act we must build strong relationships with the charitable sector and work closely with a number of other government agencies.

The Commission is excited about the challenges ahead while being aware of the degree of change involved for the sector.

Given the high degree of commitment, capability and professionalism of the Commission and its staff, I am confident of our ability to make a significant contribution to the sound future of the charitable sector.



Sid Ashton  
Chair

# Role of the Charities Commission

## Who are we?

The Charities Commission was established by the *Charities Act 2005*, which was passed in April 2005. The Commission came into existence as an Autonomous Crown Entity (ACE) on 1 July 2005. (Autonomous Crown Entities are established by, or under, an Act and must have regard to government policy when directed by the responsible Minister). The Commission started receiving applications for registration as charitable entities on 1 February 2007.

The functions of the Charities Commission, as set out in section 10 of the Charities Act, are to:

- promote public trust and confidence in the charitable sector;
- encourage and promote the effective use of charitable resources;
- educate and assist charities in relation to matters of good governance and management;
- make appropriate information available to assist persons to make registration applications under this Act;

- receive, consider and process applications for registration as charitable entities;
- ensure that the register of charitable entities is compiled and maintained;
- receive, consider, and process annual returns submitted by charitable entities;
- supply information and documents in appropriate circumstances for the purposes of the Inland Revenue Acts;
- monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities;
- inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity;
- monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances;

- consider, and to report and make recommendations on, any matter relating to charities; and
- stimulate and promote research into any matter relating to charities.

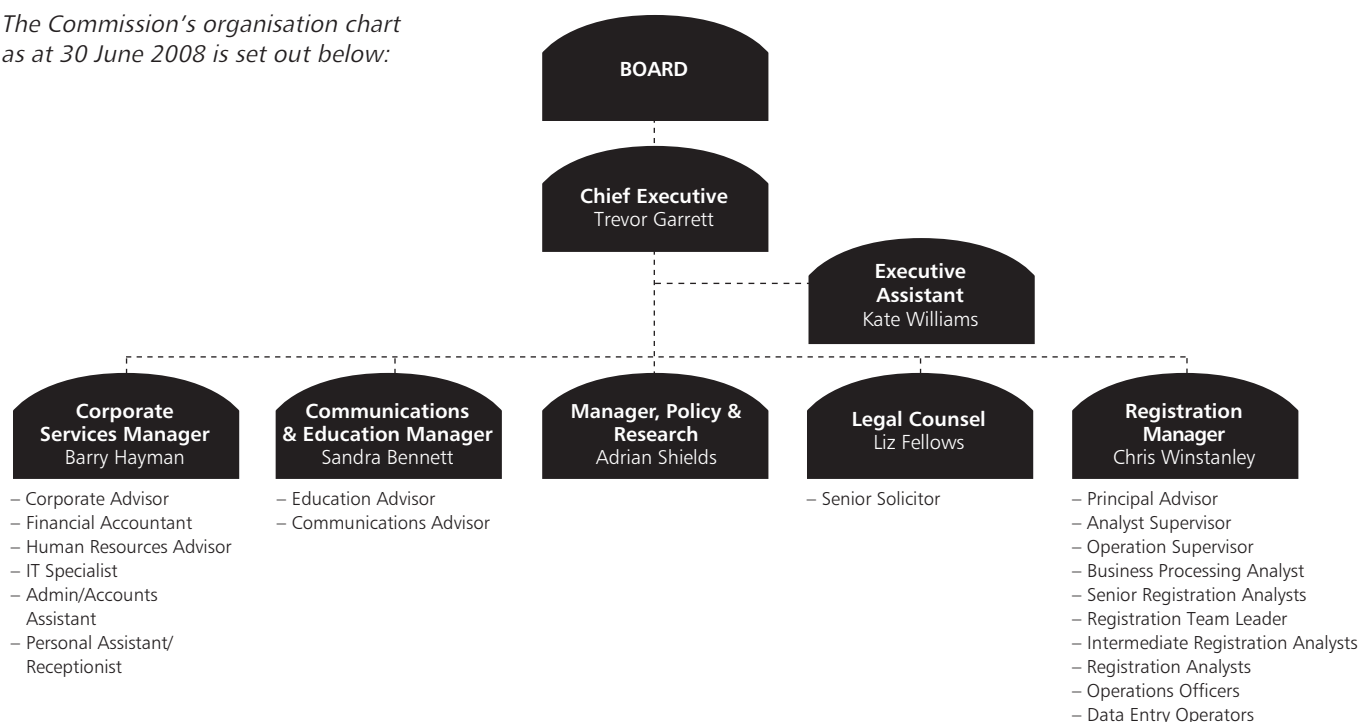
Each of these functions is aligned to one of the five outputs of the Commission. For information on these outputs, please refer to the sections for Outputs 1.1 to 1.5 under the heading "Statement of Forecast Service Performance".

## Organisational Structure

The Commission is governed by a Board consisting of a Chair, Deputy Chair and five other Board members. At 30 June 2008, there was one vacancy on the Board. The Appendix provides biographies of each of the members of the Board.

The Board has established four Standing Committees to help it more efficiently undertake its work. The Human Resources; Information and Education; Registration; and Risk, Audit and Compliance committees meet regularly throughout the year.

*The Commission's organisation chart as at 30 June 2008 is set out below:*



## Our principles

The Charities Commission's work will be guided by these principles:

1. *Fairness and impartiality* - All individuals and organisations with which the Commission has dealings will be treated impartially and reasonably, following the principles of natural justice;
2. *Consistency* – The Commission will ensure that people in similar circumstances or with similar issues will be treated similarly in the way the law is applied, the processes that are followed, the way policy is applied and the decisions that are made;
3. *Transparency* – The Commission will explain requirements in plain terms, set out the criteria by which decisions are made, explain what is expected from charities and provide reasons to explain and justify all decisions. The Commission will be able to demonstrate that practice and process is 'fair and reasonable' and to display appropriate openness in the circumstances;
4. *Legitimacy* – The Commission will only use powers that it is authorised to use and will ensure that these powers are used properly;
5. *Independence* – The Commission will act in the interest of the public in carrying out its role and will ensure, consistent with the obligations of an Autonomous Crown Entity, that others, unless authorised to do so, will not interfere with, direct or control the Commission;
6. *Accountability* – The Commission will inform Parliament of its intentions and outline how its performance can be assessed each year in the Statement of Intent. The Commission will also publish an annual report, which includes an audit report. The Commission is accountable for its decisions through the High Court, which can overturn them. The Commission will provide information and explanations of its important decisions on its website and will engage with its stakeholders prior to introducing major new policies or practices;
7. *Responsibility and respect* – The Commission will act with an understanding of the consequences of its actions and show respect to others in all its dealings.

# Our operating environment

The Government recognises the important role of charities, and is consequently promoting policies that acknowledge and support their unique contribution to society. The importance of the charitable sector to government agencies in New Zealand was demonstrated by the signing of the Statement of Government's Intentions for an Improved Community-Government Relationship (December 2001).

For an organisation to be charitable, its rules must clearly state that its purposes are for one or more of the following – the relief of poverty, the advancement of education, the advancement of religion, or any other matter beneficial to the community. The organisation's objects must also be of benefit to the public.

Charitable organisations can be in many different forms; for example, charitable

trusts, unincorporated trusts, charitable companies, incorporated societies, unincorporated bodies and marae.

The charitable sector is defined as including both registered and non-registered charities. A charity that is registered with the Commission is referred to as a "charitable entity" in accordance with section 4(1) of the *Charities Act 2005*.

## Stakeholders

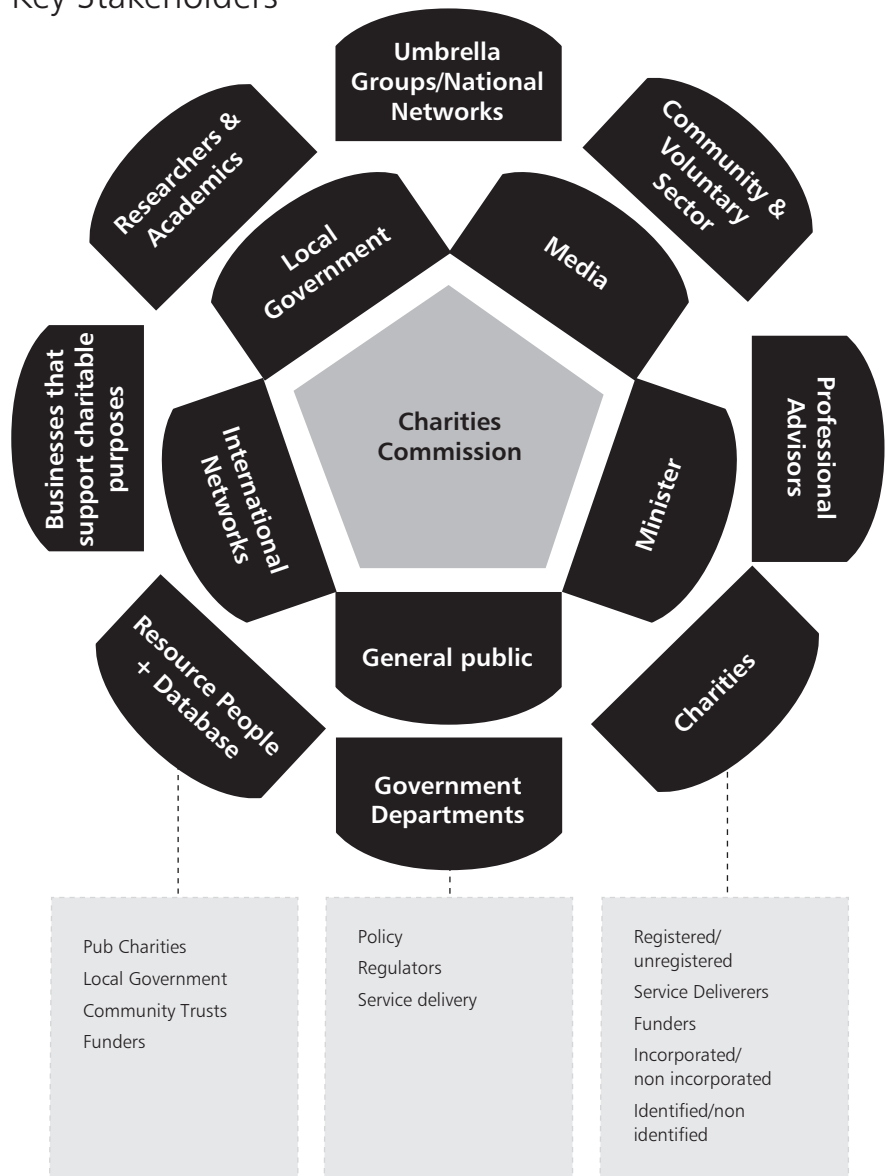
The Charities Commission knows that its stakeholders – shown in the chart opposite – have expectations of, and some concerns about, the Commission based on their particular understanding of the sector and of what the Commission might deliver or ask of them.

Since the Charities Commission was established in July 2005, our Board members, Chief Executive and staff have met with many groups and individuals to build an understanding of the current environment, consider stakeholders' needs and expectations and explore how they might change over the next three to five years. The Commission held annual meetings in Wellington, Christchurch, Dunedin, Auckland and Tauranga in November and December 2007, and these provided an ideal opportunity for us to further engage with the sector and discuss the expectations and operations of the Commission.

## Charitable sector

Charities make a significant contribution to New Zealand society. They improve society by providing diverse activities and services that range from health and social services to arts and culture, from education and sport and recreation to religion and places of worship. They range from national umbrella groups to small trusts and organisations working at grass roots level. Charitable organisations are typically run either entirely by volunteers, by a combination of volunteers and paid officers, or in some cases by paid officers only.

## Key Stakeholders



As well as having little information on the numbers of charities in New Zealand, knowledge about their financial impacts is also sparse. A recent report from Philanthropy New Zealand (*Giving New Zealand*, 2007) estimated that philanthropic giving in 2005/06 was \$1.25 billion.

Changing expectations are putting charities under pressure to improve their efficiency and accountability, deliver services to a high standard and demonstrate that they are providing value for money. Charities receiving funds from a variety of agencies must also comply with different reporting requirements from those agencies.

The charitable sector is responding to these demands and is looking for assistance and guidance on how best to improve its capabilities. In this environment, the charitable sector is looking to the Commission to provide advice and support concerning regulatory obligations and duties, and to assist charities to get access to good information and guidance on issues relating to governance and management.

## The Government

There is growing recognition of the important economic and social contribution that the charitable sector makes to New Zealand society. Government has a key role in building collaborative relationships with the charitable sector to achieve positive social, economic, cultural and environmental outcomes within local communities. It also wants to be sure that funds flowing into the charitable sector are used appropriately; that is, for the intended charitable purpose of the organisation.

The Government has expressed a desire that government agencies coordinate their activities, wherever possible, to avoid duplication and minimise compliance costs to the sector. This coordination extends to ensuring that the charitable sector has access

to appropriate advice and support concerning regulatory obligations.

## Government agencies

Many government agencies have charities as stakeholders – as part of their work, as recipients of their services, or as providers of services – which contribute to achieving the agencies' outputs. While these government agencies have a role to play, the Charities Commission has been set up to deal with the charitable sector as a whole. The Commission will be working co-operatively with these other agencies in the sector to ensure that services available to the public are well integrated and coordinated.

Government agencies are expected to deliver their services through relationships with communities, where appropriate. Government agencies therefore have a stake in a charitable sector that is well managed and effective. They also need good data on the sector to develop policy advice. In this operating environment, they will be looking to the Commission to be a source of information and guidance on issues relating to the charitable sector.

The Commission has an 'inner circle' of government agencies it works with. The nature of the relationships that the Commission has with these organisations is outlined in the following sections/ paragraphs.

### **The Department of Internal Affairs (DIA)**

The Minister for the Community and Voluntary Sector is responsible for the Commission. The DIA has been appointed to advise the Minister on issues arising from her responsibilities for the Commission. As outlined in the Memorandum of Understanding, DIA monitors the Commission on behalf of the Minister to ensure the Crown's interests are protected; and provides a contestable second opinion advice. DIA is responsible for the administration of the Charities Act and managing appointments of the Board. DIA is also responsible for providing policy

support to the Commission as required by the Minister to support effective implementation of government policy and regulations.

The Commission engages with DIA about the development of the Commission's Statement of Intent, annual Output Agreement with the Minister (which includes budget) and the Annual Report.

### **The Office for the Community and Voluntary Sector (OCVS) within the Ministry of Social Development**

The Department of Internal Affairs works closely with the Ministry of Social Development (MSD) in relation to the Commission's strategic direction and performance. The Commission will be working closely with both organisations as they carry out their functions.

The OCVS was established to facilitate cooperation and good relationships between the government and the community and voluntary sector. OCVS provides advice to the Minister for the Community and Voluntary Sector.

The Commission and OCVS share an interest in developing the community and voluntary sector. However, the Commission's specific interest is the charitable sector, and promoting public trust and confidence in that sector.

### **Inland Revenue Department (IRD)**

Because registration under the Charities Act can have tax implications, the Commission and the IRD require a very close working relationship.

The registration test of the Charities Commission under the *Charities Act 2005* is closely aligned with the relevant test under the *Income Tax Act 2007* administered by IRD. This means that charities that meet the Commission's requirements for registration may also meet IRD's test for retaining or acquiring tax-exempt status. (Tax-exempt status means registered charities do not have to pay income tax and donors of gifts to registered charities do not have to pay gift duty.)

Under the Charities Act, the Commission supplies IRD with information in order for IRD to carry out its functions under any of the Inland Revenue Acts. The Commission and IRD have developed Memoranda of Understanding to cover how they will exchange information and work with each other. The Commissioner of IRD and the Board of the Commission will monitor the implementation of these Memoranda.

The Commission and IRD work closely together to ensure that appropriate processes and procedures are in place for both organisations to undertake their statutory functions.

### Statistics New Zealand

Statistics New Zealand and the Charities Commission have an overlapping interest in expanding the current analysis of the charitable sector, and have already discussed mutual information interests. Over time this analysis will be strengthened by the information the Commission will be able to provide, particularly after the initial registration process concludes and the annual return process becomes established.

In light of this shared interest the Charities Commission and Statistics New Zealand have agreed to develop a "relationship agreement" that will confirm the way the two agencies work together by information sharing, research priorities and relationships with stakeholders.

### The Ministry of Economic Development (MED)

The relationship between the Commission and MED is also significant, with a Memorandum of Understanding being signed in August 2007 to underpin the relationship between the Commission and the various Registrars and the Official Assignee, based in the Companies Office. This Memorandum of Understanding includes both general relationship provisions and the sharing of information provisions. There is also ongoing engagement occurring through MED's current review of the application

of the *Financial Reporting Act 1993* to the charitable sector.

### Other government agencies

When the Commission's monitoring activities are underway, other government agencies, such as the Attorney-General and the Office of the Auditor-General, will be interested in the results of these activities, and may become actively involved.

### The public

Currently the public has limited information about the charitable sector. Much of the public's interaction with the sector is through personal involvement with a particular charity, donations to fundraising campaigns and information in the media. The Commission is aware of the public interest considerations underpinning the enactment of the *Charities Act 2005*. We see the general public as one of our key stakeholders and will work to ensure that the interests of the public are taken into account in carrying out all of our functions, including decision-making.

With the establishment of the Charities Register, people will be able to access more information on registered charities, including financial information, once annual returns are filed. Governing documents, charitable activities and other application information will be readily available to the public, making it easier to learn about the nature of the charitable sector, and the contribution it makes to society, thus helping to promote public confidence in it.

### Key themes

The assessment of our operating environment raises a number of issues that will affect our work.

In summary:

- there is little information on the charitable sector and its size and scope is uncertain;
- all stakeholders in the charitable sector, including the general public, would benefit from the availability of good data on the charitable sector;
- there are opportunities for government agencies to work in partnership with the charitable sector to establish and develop services and promote community development;
- the Commission has a role to educate and assist charities, however, other organisations also have this role and we need to explore ways by which we can best add value;
- charities are under increasing pressure to improve efficiency and accountability, particularly when accessing and accounting for government funding; and
- there is a need to coordinate activities between government agencies working with the sector to ensure compliance costs are minimised, and to clarify and communicate roles and boundaries to avoid confusion.

These key themes have influenced our choice of the outcomes the Commission is aiming to achieve and the Commission's strategic priorities over the next three years.

# Strategic directions

The intention of the *Charities Act 2005*, and the establishment of the Charities Commission, was to ensure that the charitable sector becomes more accountable and transparent to the donating public, funders, regulators and the government. It was also intended that the Commission should have an important role in informing, educating and supporting charitable organisations, as the effective exercise of this role should help charities to build their capacity and develop capabilities.

## Government's priorities

In March 2006, Cabinet agreed that three themes constitute the Government's priorities for the next decade. These themes are supported by a number of sub-themes, which were updated in 2008:

### Economic Transformation

Working to progress our economic transformation to a high income, knowledge based market economy, which is both innovative and creative and provides a unique quality of life to all New Zealanders. The sub-themes are:

- growing globally competitive firms;
- world class infrastructure
- innovative and productive workplaces, underpinned by high standards in education, skills and research;

- an internationally competitive city – Auckland;
- environmental Sustainability.

### Families – young and old

All families, young and old, have the support and choices they need to be secure and be able to reach their full potential within our knowledge based economy. The sub-themes are:

- developing the NGO sector
- early years
- effective interventions
- eliminating family violence
- key business and service delivery failure
- realising youth potential.

### National Identity

All New Zealanders are able to take pride in who and what we are, through our arts, culture, film, sports and music, our appreciation of our natural environment, our understanding of our history and our stance on international issues. The sub-themes are:

- developing our arts and culture
- connecting with, understanding and celebrating our heritage
- encouraging participation and achievement in sport
- New Zealand in the world
- recreation, conservation and the environment
- reconciliation
- building a cohesive society
- reinforcing community.

### Charities Commission's contribution to Government priorities

The charitable sector contributes to all three Government priority themes in a variety of ways. The Commission believes that if it meets its intermediate outcomes, a strong charitable sector may result and this should contribute to all three of the Government's priority themes and their related sub-themes.

Charities provide people with an opportunity of fulfilling their social consciences, getting involved in their community and demonstrating their charitable concerns. Charities are meeting the needs in communities that the Government is unable to effectively meet.

The Charities Commission itself contributes directly to a number of the sub-themes. For example, the Commission's role in building capability in the charitable sector contributes to "Developing the NGO sector". The Charities Act sets out a role for the Commission to assist charities through encouraging and promoting the effective use of their resources, and through educating and assisting charities in relation to governance and management.

The Commission's intermediate outcome of *Increased public trust and confidence in the charitable sector* will contribute to the sub-themes of "Building a cohesive society" and "Reinforcing community". Charities are part of the huge community and voluntary sector that is so important to New Zealand's social capital.

The Government also published the *Statement of Government Intentions for an Improved Community-Government Relationship* in December 2001. In this statement, the Government made a commitment to creating a genuine partnership with community, voluntary and iwi/Maori organisations. The Commission will contribute to this initiative through its links with the charitable sector and the delivery of its outputs.

## Our planning approach

In 2007/08, the Board made a commitment to develop its strategic framework. Since August 2007, the Board has consulted with its stakeholders, including the charitable sector and other Crown agencies, and developed a strategic plan for the next five to ten years. This plan sets out the future directions and activities of the Commission, after the initial registration period is completed.

The Board views the Commission's functions, as set out in section 10(1) of the *Charities Act 2005*, as the key drivers behind the strategic direction of the Commission.

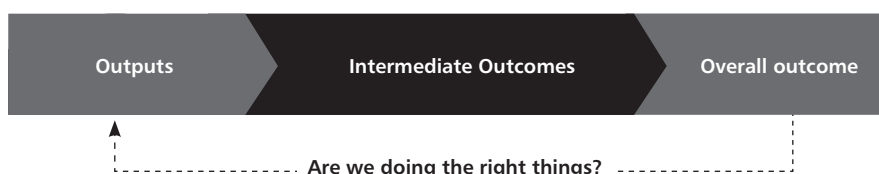
In order to make the best use of the resources we have, and to ensure we are undertaking those activities that are going to be of most relevance, we started our planning processes by using a "bottom up" approach and identified those *outputs* that would enable the Commission to fulfil its statutory obligations.

The next step was to identify the *intermediate outcomes* that would result if those outputs were delivered. Lastly, the Board identified the *overall outcome* that the Commission is ultimately seeking to achieve – "*a strong, effective charitable sector in which the public has trust and confidence.*" We realise that the overall outcome is a very high-level goal and its achievement is the result of many contributions and it may be affected by external influences beyond the control of the Commission.

The relationships between our intermediate outcomes and the overall outcome are illustrated in the diagram alongside.

## Priorities

Our priorities are underpinned by who we are and by our principles, and are adopted to ensure consistency with the



Government's priorities. They have also been developed through reference to other agencies whose work is closely connected to ours.

Our priorities set the direction for the work that will enable us to achieve the overall outcome we have identified. Our priorities are:

- by being an effective regulator, the Charities Commission contributes to the public having trust and confidence in the charitable sector
- by providing information to charities and the charitable sector, the Charities Commission contributes to a charitable sector that is well governed and managed, and uses its resources effectively
- by providing information to the Government, the Charities Commission assists the Government to meet the needs of charities and the needs of the public in supporting charities

We have a responsibility to coordinate our work with other agencies working with the sector, establish the boundaries of our work and determine how best to work together.

During the first three years of its existence, the Commission has been focused, first on the establishment of the Commission's infrastructure, and more recently on the registration of charities. This includes making information available to assist charities to make applications for registration. The Commission will not be in its "business as usual" state until the initial registration of charities is completed.

Meanwhile, in conjunction with the development of the strategic framework, the Commission has started to develop policies and procedures for some of its other legislative functions. This process will continue in 2008/09.

The Government's fundamental expectations of the Commission are clearly set out in legislation. In addition, the Minister for the Community and Voluntary Sector has emphasised in her *Letter of Expectations for 2008/09* that she expects the Commission:

- to continue to focus on the successful registration of charitable entities, with other aspects of the Commission's business gaining in significance as the year progresses;
- to be an authority and to lead debate around the objectives of promoting public trust and confidence in the charitable sector, and encouraging and promoting the effective use of charitable resources, for the advancement of the charitable sector as a whole; and
- to maintain comprehensive and effective management systems for managing assets, information, people and risks.

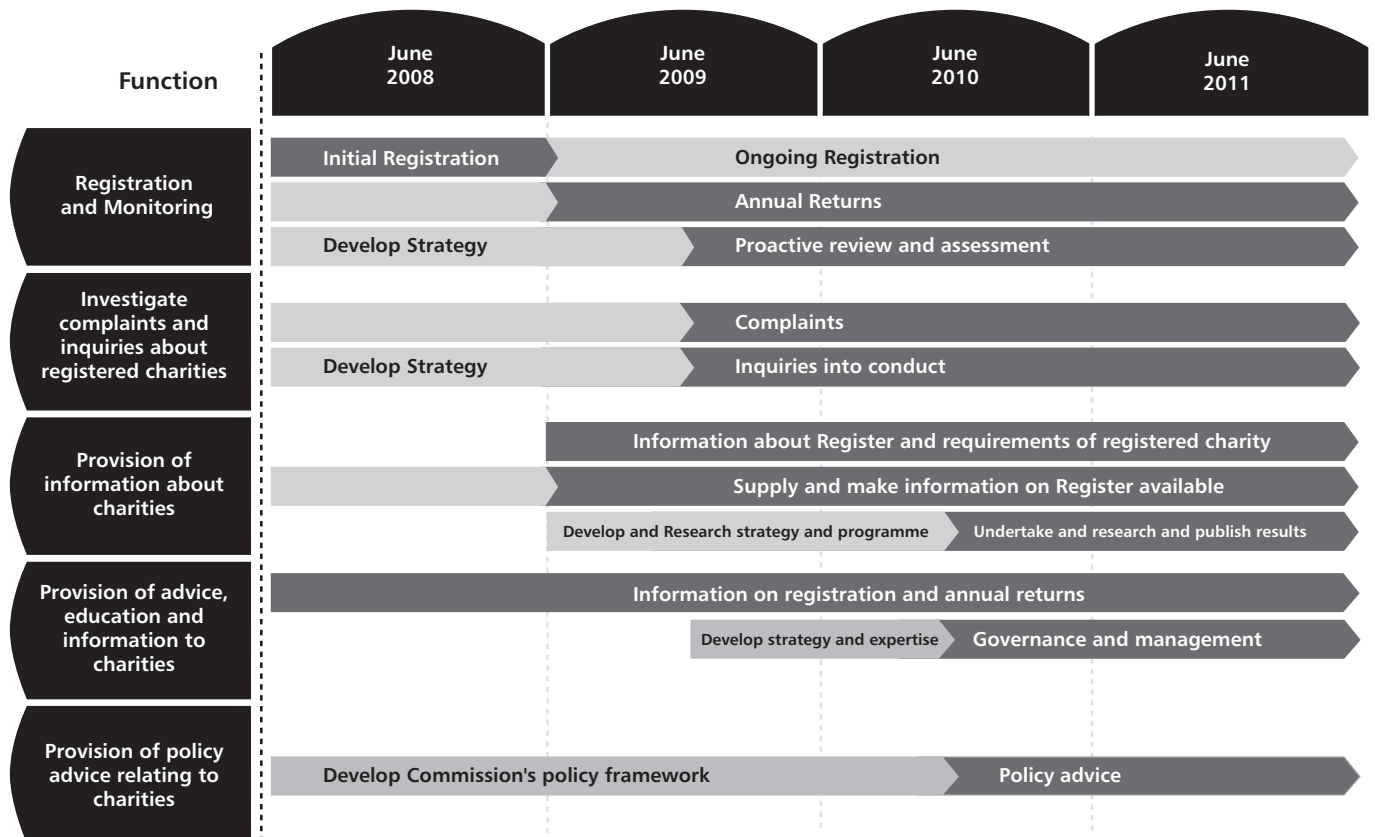
In 2008/09, the Commission will complete the initial registration of the budgeted 25,000 charities. The focus will then shift to receiving and processing annual returns, monitoring activities, and providing information and support on governance and good management. Consistent with our strategic priorities for research, we will begin to analyse information received during the registration process, and consider how to communicate this and what further information it would be useful to obtain.

In 2009/10 and beyond, we will continue to process annual returns and register charities, with monitoring activities becoming more a focus of our work. Developing and communicating information relevant to charities will also be an increased focus over this period.

In this SOI, we indicate our intentions to undertake key pieces of work in future years – research, education of the charities sector and the public, and policy advice to government. These all contribute to the achievement of our statutory functions under the Charities Act and to our overall outcome of “A strong, effective charitable sector in which the public has trust and confidence”.

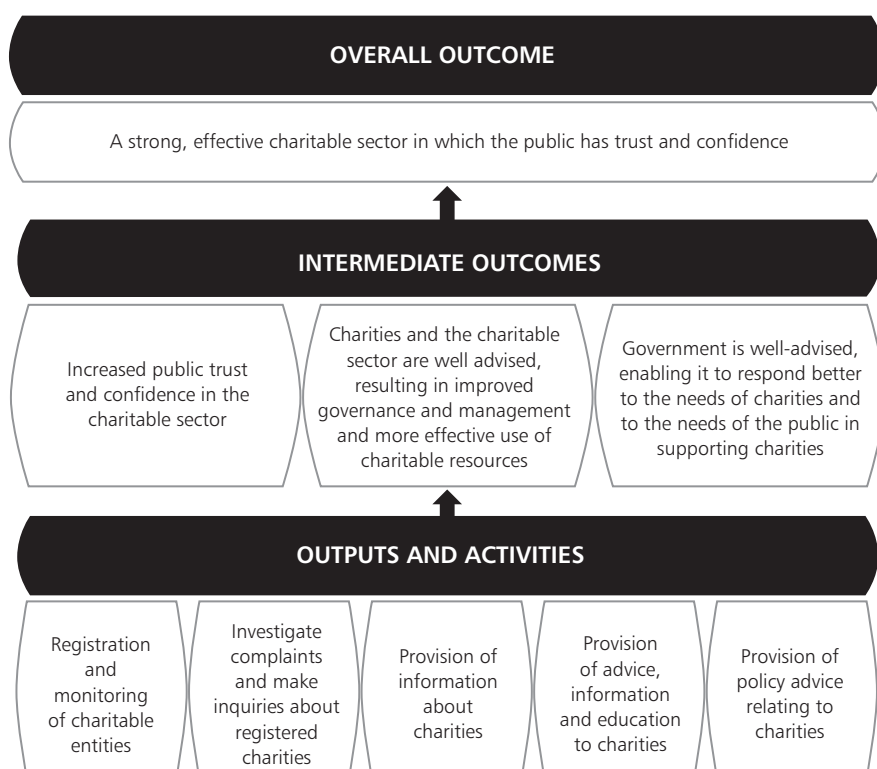
It has been expressed to the Commission by some charities that the Commission might be a place that charities can approach about matters that concern them that are of importance to significant parts of the sector. They recognise that the Commission has a function to “consider, report and make recommendations on any matters relating to charities, either on its own behalf or on referral from the Minister”. They believe this is one of the Commission's functions that would add value to the work that they do.

The table below summarises the Commission’s proposed work programme over the next three years.



## Our outcomes framework

This is our current Outcomes Framework, (below) based on our strategic priorities, and our current pragmatic understandings of the Commission's functions. We will develop and amend this framework as we gather evidence about whether or not our activities are contributing to the desired outcomes.



## Our outcome contribution

### Introduction

The Commission has identified its overall outcome as “a strong, effective charitable sector in which the public has trust and confidence”. The Commission will be working with the sector over the coming year to define what the characteristics of a strong, effective charitable sector actually are, and what an effective charity is. This is an ambitious outcome, and not one the Commission can achieve alone.

The Commission has therefore identified three ‘intermediate outcomes’, sourced from the Commission’s statutory functions, that it believes will be necessary to achieve the overall outcome.

These are:

- increased public trust and confidence in the charitable sector
- charities and the charitable sector are well advised, resulting in improved governance and management and more effective use of charitable resources
- government is well advised, enabling it to respond better to the needs of charities and to the needs of the public in supporting charities.

The Commission’s activities and outputs contribute directly to these intermediate outcomes and the Commission has a primary responsibility in achieving them. However, there are external influences

on these intermediate outcomes beyond the Commission’s control. Government agencies and other stakeholders will have an influence on the achievement of these intermediate outcomes; all will contribute to increasing our understanding of the value of charities to our society. Factors such as the state of the economy, changes in government policy and our ability to find the financial and human resources that we need will also influence the nature of the intermediate outcomes.

The performance of non-registered charities will also be beyond the reach of the Commission. It is hoped, however, that the public, through the information that will be available on the public Register of Charities, will be able to exert enough pressure such that non-registered charities will see benefits from being registered with the Commission. Funders will also have a major influence, as they may decide to only donate funds to registered charities.

In addition to the outputs and activities set out in our outcomes framework, the Commission has a role to stimulate and promote research on matters relating to charities. We will do this initially by focussing on the information that can be derived from the registration and annual return processes, and using the data as a basis for providing real information about charities and the sector. This will also enable the Commission to advise on areas where further research on information about charities should be undertaken. We will also seek to work with other organisations so that a wider range of research can be conducted using the information acquired by the Commission. The information from the Register will result in a better understanding of the sector as a whole. The sector has high expectations that the Commission will provide relevant information.

### What are we seeking to achieve?

We believe that if we are an effective regulator, which also provides targeted

education and support to the sector and information on the sector, public confidence in the charitable sector will improve. As confidence in the sector improves, and the sector can demonstrate value for money, the public may feel able to increase their donations of time and resources.

One of the main reasons for establishing the Charities Commission and the Register of Charities was to increase the knowledge and understanding of the charitable sector.

As the level and type of information about the sector increases through the receipt of annual returns from charitable entities and targeted research, the Commission and other agencies will be able to provide better advice to the Government about the sector. This will enable the Government to better meet the needs of both the sector and the public who support charities.

It is the Commission's view that if it satisfactorily produces, over time, the outputs it has identified, then it will be able to provide the public (and the Government) with better information on, and understanding of, the charitable sector. This information will be received from registered charities during the registration process and will increase as the Commission starts receiving annual return information and undertaking research.

### **What will we do to achieve this?**

Our outputs and activities contribute directly to our intermediate outcomes. Our aim is that our work in registering and monitoring, investigating complaints and making inquiries, and providing information about charities will contribute to increased public trust and confidence in the charitable sector. Providing advice, information and education to charities will aid the sector in its governance, management and use of resources. Our advice to government will enable it to respond to the needs of charities and the public. We have

described in the following paragraphs the work we will be doing in the next year, and in the longer term, to achieve our intermediate outcomes.

### **Increased public trust and confidence in the charitable sector**

#### *Registration and monitoring of charitable entities*

The Register of Charities opened to receive applications for registration from 1 February 2007. All charities must be registered from 1 July 2008 to be eligible for a charitable tax exemption.

Registration activities will continue to form the major part of the Commission's operations over the next six months. We intend to complete the processing of all applications for registration received on or before 30 June 2008 by the end of December 2008. The Commission is able to backdate registration as a charitable entity to the date it received a "properly completed application for registration".

It is unknown how many charities will apply to register under the Charities Act, but projections have used a base volume of 25,000 new applications and associated annual returns. The actual number of registrations may well be different than this but we have used this number for planning purposes.

Once the initial registration period is over, we expect a small number of new registrations each year. We expect to receive the majority of annual returns once the registration peak is over. The Commission will need to manage the variable nature of the processing of annual returns workload as annual returns of registered charities will be due six months after their balance date.

In the first half of 2008/09, we will develop the necessary strategies to enable us to start monitoring the activities of registered charities in the latter part of 2008/09. Our intention is to have this framework in place by 31 December 2008.

#### *Investigate complaints and make inquiries about registered charities*

As the registration of charitable entities proceeds, it is expected that the number of complaints about registered charities will increase.

The Commission will also undertake its own inquiries into registered charities. As the number of registered charities grows, we will develop an understanding of what issues and activities we may want to inquire into, and how often these inquiries will occur.

We will develop the necessary strategies to enable us to complete these types of investigations and inquiries within a suitable timeframe. We therefore intend to develop a framework for inquiring into the conduct of charitable entities by 31 March 2009.

In the longer term, as our focus moves from the initial registration process, we anticipate that the activities under this output will increase in importance from 2009/10 onwards. The extent of our activity in the longer term will be dependent on need and resources that can be applied.

We will be interested to see what we can learn over time from quantitative measures of complaints and inquiries. An increasing number of complaints about charities could mean either:

- an increased awareness of, and confidence in, the Commission to deal with complaints; or
- increased concern about the governance and management of charities.

We will use this quantitative information to inform our research programme (below).

#### *Provision of information about charities*

This is a key role for the Commission in ensuring public trust and confidence in the charitable sector and one we are keen to develop. In 2008/09, however, the Commission will be concentrating on

the completion of the initial registration process and the processing of an increasing number of annual returns. Consequently, the activities under this output will be limited to ensuring that the public is aware of the requirements of a registered charity, the Register of Charities and how the Register can be used, and developing a strategy for an appropriate research programme.

The Commission has several "communication and education" functions to perform under the Charities Act. One of these is to "promote public trust and confidence in the charitable sector". The Commission completed a survey by the end of June 2008 to establish a benchmark for the level of public trust and confidence in the charitable sector.

This survey will be a key piece of our research programme. This information will help to determine the level of promotion required to fulfil our obligations. The survey has been completed and we are now analysing the results. We expect to publish a report on the results early in the 2008/09 financial year.

We will develop the strategic framework for research by 30 June 2009. In the following years, as the Commission receives more information about charities and the charitable sector through the annual return process, it will look to implement this research programme and eventually share the results with other interested agencies and the wider public.

Once we start to receive annual returns from registered charities, the Commission will be able to provide further financial information on the charitable sector. This is another function which will become more important in future years, as we build up data that shows trends over time. We do recognise, however, that some information, including that of grant-making organisations, might not be captured by the Commission's processes. This is because some grant-making organisations may not be

charities and their grants may not go to registered charities.

### **Charities and the charitable sector are well advised, resulting in improved governance and management and more effective use of charitable resources**

#### *Provision of advice, information and education to charities*

The Commission believes that the performance of charities and the charitable sector will improve through both effective regulation and the provision of good advice, education and information. We will engage with the sector to understand the needs and requirements of the charities and the sector as a whole. We will also engage with the charitable sector and other government agencies to determine what the needs of the sector are and then the best way to "educate and assist charities in matters of good governance and management" and what type of research on the sector is required.

Some of the advice and information may already be available through existing networks and the Commission will ensure that charities can easily access this information. We will also endeavour to develop our own expertise in governance and management and make this available through the appropriate channels.

A further communication and education function is to "encourage and promote the effective use of charitable resources". The Commission will need to wait until it receives more information from annual returns (that is, financial information) before it can decide how it will perform this function. It is expected that, due to the delays in the completion of the initial registration process, a complete set of this information will not be received until by the end of the 2009/10 financial year.

Providing information and support for registration and the completion of annual returns will continue to be the

Commission's priorities in 2008/09. As registration activities settle down, education, information and support activities will broaden to include governance and management, and the effective use of charitable resources.

We have considered how best to use our limited resources in this area and have focused on providing information by telephone and our website. We have established a free phone advisory service which is able to answer up to 2,000 calls per month. We also provide information via our website. We will continue to look at how we can ensure charities can benefit from the Commission's advice, education and information.

We will develop our detailed approach for the delivery of advice and support on good governance and management in 2008/09, and we will implement this in 2009/10. In doing this, we will consult with other organisations to ensure that there is no duplication of programmes already being delivered. We intend, where possible, to work in collaboration with other organisations to fulfil this output. In the longer term, the Commission does not wish to limit access to its services solely to charitable entities. The Commission recognises, however, that its priorities are established by the Act.

#### *Building Capacity and Capability in the Sector –*

Two major functions of the Commission, as set out in section 10(1) of the *Charities Act 2005*, are to:

- "encourage and promote the effective use of charitable resources" [s.10(1)(b)]; and
- "educate and assist charities in relation to matters of good governance and management" [s.10(1)(c)].

As the initial stage of registration is completed, and annual returns are received, the Commission will start to obtain better information about the charitable sector. This will guide the Commission as it focuses on these important functions.

The Commission is mindful that there are many organisations, both public and private, that have a role in the education and assistance of charities. We do not want to duplicate the work already being done and will explore the areas in which we can best add value.

**Government is well-advised, enabling it to respond better to the needs of charities and to the needs of the public in supporting charities**

*Provision of policy advice relating to charities*

The Commission believes its role in advising Government about the charitable sector is key to enabling the government to respond to the sector's and public's needs. The Commission is aware that other policy-making government agencies already provide advice on some areas of the charitable sector; however, the Commission will bring a new and unique perspective to policy advice about the sector, and will be able to provide sound, evidence-based advice.

The Commission's policy advice role will develop as its evidence base develops – charitable entities began to submit their annual returns in September 2007 and the amount of information about the charitable sector is increasing. However it will not have a complete set of annual return information until the end of the 2009/10 financial year.

Given that the initial registration of charities remains the Commission's focus this year, and our limited resources, in 2008/09 we will provide policy advice when requested.

As this area of work increases in importance, we will develop the necessary strategies to enable us to deliver effective policy advice from 2009/10 onwards.

**How will we demonstrate success in achieving our outcomes?**

The Commission has been in operation for three years and achieved much in this time. We are, however, still in the initial stages of establishing the regime set out in the Charities Act and some of the indicators by which we can measure our success are not yet in existence.

The overall outcome the Commission is seeking to achieve is "a strong, effective charitable sector in which the public has trust and confidence". The Commission will be working with the sector over the coming year to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is.

In 2008/2009, we will continue with the development of an appropriate performance measurement framework and will work on establishing the most effective way to evaluate our contribution to the achievement of our overall outcome and intermediate outcomes. Pragmatically this evaluation framework will be informed by progress in the completion of our outputs as specified in our annual output agreements, but our current intention is to develop a range of both financial and non-financial strategies and indicators to measure our effectiveness at the "intermediate outcomes" level.

These strategies will be developed with an understanding that no single indicator would be able to be adopted as a measure for achievement of our intermediate outcomes.

Assessing the performance of registered charities will provide good evidence of the state of the charitable sector in New Zealand. However, it will not be until the Commission starts to receive the bulk of the annual return information and financial statements from registered charities and starts monitoring their activities and receiving complaints, that we will be able to assess the performance

of registered charities. By the end of 2008, we expect to have registered 25,000 charities, and the ongoing analysis of their annual returns will provide a wealth of information.

Assessing the performance of registered charities will help the Commission to develop performance measures for the sector. Performance measures for "governance and management" and "the effective use of charitable resources" will enable the Commission to assess whether charities are displaying good governance and management, whether charitable resources are being used effectively.

The Commission will monitor this effectiveness through the review of the annual return information and financial statements submitted by registered charities. This review will determine whether the charity is in fact spending the money it receives on the purposes the Commission has approved or is spending it on other charitable activities. Another indicator of the performance of charities may be an increase or decrease in the number of complaints received or investigations undertaken by the Commission.

The Commission completed a survey by the end of June 2008 to establish a benchmark for the level of public trust and confidence in the charitable sector. It is intended to replicate this survey every two years to determine whether the actual level has increased or decreased. This will give us an objective measure of progress towards our overall outcome and we will look at how we can determine whether any change is a result of any of the Commission's activities.

Providing good advice to government will assist us to achieve our intermediate outcome that Government is well-advised. The Minister's satisfaction with our advice will provide a measure of our success, as we build our programme of policy advice over the next three years.

# Management of organisational risk

The Risk, Audit and Compliance Committee oversees the management of risks for the Commission. The Committee has a work programme to ensure that risks (to the Commission's operations or reputation) are identified, assessed and strategies developed for their management.

The Commission recognises that there are inherent risks associated with its ability to achieve its goals and deliver on its work programme. The Commission's policy on risk management includes the following components:

- risks are monitored and managed by management, the Risk, Audit and Compliance Committee, and the Board on a quarterly basis.
- the Commission operates on a 'no surprises' basis. It achieves this through appropriate sharing of information throughout the organisation and with key stakeholders.

## How uncertainties may affect the Commission delivering its outputs

### Risk Management

We will closely monitor the critical risks outlined in the following table and manage these risks, and any others identified, to the best of our ability within the existing baseline funding. Where our planning and budgeting assumptions change markedly, we will need to work with the Minister for the Community and Voluntary Sector and the Minister's advisors at the Department of Internal Affairs.

### Critical Organisational Risks

Description of the Risk	Proposed Mitigating Action
<p><i>Cost of processing applications for registration</i></p> <p>There is a risk that the financial cost of processing applications and registering entities will be greater than originally anticipated and that sufficient funding may not be available</p>	<p>Continue to monitor outputs and costs.</p> <p>Strive for constant process efficiency and improvement.</p> <p>Take early action if future activities appear to be threatened or outcomes prejudiced by a lack of resources</p>
<p><i>Supporting information systems</i></p> <p>The Commission does not have the supporting systems necessary to undertake its other statutory roles (management of the Charities Register, monitoring, investigations, etc.) under the Charities Act.</p>	<p>Develop contingency plan and discuss alternative strategies with the Department of Internal Affairs.</p> <p>Ensure that the funding requirements are addressed in the business case.</p>
<p><i>Loss of key staff</i></p> <p>As a relatively new and small organisation, the Commission is at risk of losing key staff at crucial times over the next three years</p>	<p>We will maintain and implement HR policies, initiatives and incentives to help us retain the best staff.</p> <p>Ensure that workloads are well managed and any concerns are addressed satisfactorily.</p> <p>Maintain a focused recruitment programme</p>
<p><i>Future resourcing needs</i></p> <p>The Commission is required to undertake a number of new tasks and activities over the next three years to fulfil the requirements under the Charities Act 2005. There is a degree of uncertainty surrounding the level of work required to complete these tasks and activities. As a result, the level of resourcing required is also uncertain at this stage and will need to be reviewed on a regular basis throughout the period.</p>	<p>Keep the Board well informed.</p> <p>Work through any additional budget requirements with the Department of Internal Affairs, in preparation for the business case.</p> <p>Ensure the Minister for the Community and Voluntary Sector is fully aware of the situation.</p>

# Developing our organisation

## Organisational capability

### People

Our objective is to carry out our functions in an effective, professional, responsive and transparent way.

To achieve our strategic goals and operational priorities we need people who are knowledgeable and experienced in their fields. They also need to be capable of handling the ambiguity and uncertainty of an organisation dealing with new functions and have an understanding of both the charitable and the state sectors.

In 2007/08, the Commission continued its drive to recruit enough staff to receive and process all the applications for registration, and to provide information and support to charities to enable them to register. The number of employees in the registration team has increased, since July 2007, to forty at the end of June 2008.

Our focus in 2008/09 will be on enhancing our 'good employer' responsibilities in the following key areas:

- Recruitment and retention

We are committed to being a good employer, therefore, the emphasis will be on ensuring the Commission has the right practices and incentives in place to ensure that employees are able to contribute, feel valued, develop and grow.

Over the next six months, we will undertake a review of the people we have, their skills and training needs, and the gaps we need to fill. This review will impact on our decision-making with regard to moving away from reliance on fixed term employees to a committed and capable permanent workforce.

Despite a tightening labour market we have managed to recruit and retain talented staff. Feedback from staff is important and valued, therefore we will continue to monitor staff satisfaction levels by conducting an annual employee engagement survey.

We will review the salaries of key roles to ensure that we remain competitive within the public sector market and will continue to investigate other incentives for staff.

- Training and development

We will continue to focus on building our in-house capability by providing individualised development plans that support the goals of the organisation and are linked to career options. Individual development priorities will be identified through our performance management processes. Particular emphasis will be on further strengthening the ability of managers to lead and develop the organisation over the next three years.

### Integrity and Ethics

The Commission has developed the following policies and procedures to ensure that its stakeholders will have confidence and trust in the Commission and its staff:

- code of conduct;
- fraud;
- making a disclosure under the Protected Disclosures Act 2000;
- use of the internet;
- handling public enquiries;
- dealing with complaints regarding the Commission and its staff;
- receiving gifts; and
- 'good employer'.

### Information and Technology

In order for our people to do their work well they need the right tools and management systems.

In 2006/07, the Commission implemented the original registry system to enable it to receive, process and assess applications for registration by charitable entities when the Charities Register opened on 1 February 2007.

Following an independent review of the registry system in November 2006, and the Commission's need for an information management system that would serve it beyond the initial registration period, the Commission decided to implement an alternative system to meet the future needs of the Commission. This step was supported by the State Services Commission and Department of Internal Affairs. The new registry system went live on 4 November 2007. The system now allows charities to submit Officer Certification Forms, Annual Returns and Notices of Change online.

In the next few years, as the Commission looks to fulfil its other statutory functions under the Charities Act, its IT systems will need to be further developed to deliver the business capability to assist the Commission with reporting; complaints management; monitoring, investigation and enforcement; record and information management; and the data interfaces with both Statistics New Zealand and the Ministry of Economic Development.

### Financial

Over the next three years, the Commission faces a challenging financial outlook if it is to achieve its statutory functions set out in the Charities Act 2005. There is a risk to the delivery of the Commission's outputs in 2008/09, given the current level of applications for registration forecast and the projected resources required to process those applications. The Commission is managing this risk by making changes to its processes to ensure the registration process is as efficient as possible. The Commission is also reviewing the assumptions underlying the current level of funding provided.

The forecast financial statements demonstrate that based on current assumptions and funding levels, the Charities Commission is forecast to end the 2008/09 financial year with a working capital deficit and consequently may be unable to meet its short-term

liabilities at 30 June 2009. The Charities Commission, in conjunction with the Department of Internal Affairs, is closely monitoring the situation and is working on strategies to mitigate this. The Charities Commission will prepare a business case for its responsible Minister to present to Cabinet in the first half of the 2008/09 financial year, seeking additional funding in 2008/09 if this is required. If further funding is received that significantly changes the forecast financial statements or forecast service performance, an amended Statement of Intent will be produced in accordance with section 148 of the *Crown Entities Act 2004*.

### Health of the Organisation

The Commission has been in existence for three years. We do not yet have the information to assess trends over time in length of service or staff turnover, but will develop appropriate measures to monitor the health of the organisation in the next few years.

## Development goals for the State Services

As we continue and enhance our organisational capability, we are also conscious of being part of the wider State Services, demonstrating a spirit of service to the public and a sense of social responsibility. We are mindful of, and comply with, the relevant administrative guidelines issued from time to time by the Office of the Controller and Auditor-General and the State Services Commissioner. This includes our adherence to the development goals for the State Services.

### Overall Goal

The overall goal for the State Services is: "A system of world class professional state services serving the Government and meeting the needs of New Zealanders."

### Development Goals

The overarching goal is supported by six, more specific, development goals for the State Services:

1. networked State Services
2. value-for-money State Services
3. co-ordinated State Agencies
4. accessible State Services
5. trusted State Services
6. employer of choice

The Commission is committed to being a 'good employer' and is implementing 'equal employment opportunities' strategies. We will endeavour to be part of any 'e-government' initiatives where possible. The Commission will work with other agencies to improve the effectiveness and efficiency of services offered to the charitable sector. We will be responsive to inquiries in a polite and timely manner, and we will promote a code of conduct to ensure that the Commission is a highly regarded organisation.

# Consultation and reporting to the Minister

In accordance with section 141(1)(g) of the *Crown Entities Act 2004*, there are no specific matters on which the Commission intends to consult or notify the Minister. However, the Commission will adopt the following approach:

## No surprises

The Commission will ensure that the Minister is adequately warned in advance, where prediction is possible, about:

- issues likely to attract external attention, or represent potential risk to the Government
- key risks or matters that may have a bearing on the role of the Responsible Minister.

The Commission will actively keep both the Minister and the Department of Internal Affairs informed through regular meetings between the Chair and the Minister; the Chief Executive and officials from the Department; and staff from the Commission and the Minister's office.

## Reporting

The matters on which the Commission will report to the Minister and the frequency of reporting are summarised below:

- Annual Report – as per the *Crown Entities Act 2004* and the *Public Finance Act 1989* requirements
- reporting quarterly against the performance dimensions established in both the Statement of Intent and the Output Agreement
- financial information showing actual revenue and expenditure against budget for the quarter and year to date, and an updated forecast of operating revenue and expenditure for the financial year in the second and third quarterly report
- risk management – reporting quarterly
- monthly report on registration activity – addressing things such as application numbers being received; registrations completed, numbers declined, and registrations outstanding; processing times and backlogs; and advice on any emerging issues. Up to the end of December 2008, the monthly report will contain projections of the number of applications that will be processed by 31 December 2008 against the budgeted figure of 25,000 applications.

# Statement of Responsibility

The Board and management of the Charities Commission are responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based.

The prospective financial statements have been prepared in accordance with section 142 of the *Crown Entities Act 2004*, NZ IFRS, and NZ FRS-42: Prospective Financial Statements.

The prospective financial statements have been developed for the purposes of this Statement of Intent and to provide a basis for future accountability of the Charities Commission, and this information may not be appropriate for other purposes. The projected figures are based on the current information available and are the best projections by the Commission in order to meet its future obligations within the existing funding available.

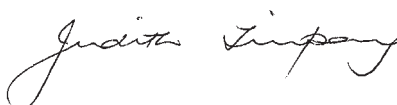
Please note that the actual results for 2007/08 and 2008/09 are likely to vary from the information presented and the variations could be material.

In accordance with section 141(3) of the *Crown Entities Act 2004*, this Statement of Intent of the Charities Commission is signed by Sid Ashton, Chair of the Charities Commission and Judith Timpany, Deputy Chair of the Charities Commission on behalf of the Board of the Charities Commission.



Sid Ashton  
Chair

30 June 2008



Judith Timpany  
Deputy Chair

30 June 2008

# Statement of Forecast Service Performance

## Output Class: Charities Administration

The Charities Commission has one output class – Charities Administration. This output class provides for the delivery of services that contribute to promoting public trust and confidence in charities.

The following sections outline the outputs the Commission intends to deliver over the next year.

2008/09 Output Summary	\$000 GST exclusive
<i>Charities Administration:</i>	
Output revenue	3,500.8
Output expense	(4,256.0)
<b>Net deficit</b>	<b>(755.2)</b>

## Output 1.1 – Registration and monitoring of charitable entities

### Output description

Under this output, the Commission will:

- receive, consider and process applications for registration as charitable entities through an appropriate process
- ensure the Register of Charities is compiled and maintained
- receive, consider and process annual returns submitted by charitable entities
- monitor registered charitable entities to ensure they maintain their qualification for registration
- monitor and promote compliance with the Charities Act

### Performance information

	Performance Measures for 2008/09	Standard/Target
1.1.1	Number of charities registered	Up to 17,000 <sup>1</sup>
1.1.2	Percentage of completed applications for registration decided within 30 working days	20-25%
1.1.3	Number of annual returns processed	8,000-10,000 <sup>2</sup>
1.1.4	Percentage of annual returns processed within 25 working days	90%
1.1.5	Register online availability (percentage per month)	No less than 97%
1.1.6	A six monthly independent quality audit on a sample of up to 1% of the recommendations for registration	Indicates no significant areas for improvement and shows only minor inconsistencies in decisions

<sup>1</sup> In total, the Commission anticipates that since the Charities Register opened on 1 February 2007, it will register 25,000 charities by the end of December 2008

<sup>2</sup> This target is based on the number of charities registered at 30 June 2008

## Output 1.2 – Investigate complaints and make inquiries about registered charities

### Output description

Under this output, the Commission will:

- inquire into charitable entities about conduct that may constitute a breach of the Charities Act or serious wrongdoing
- receive and investigate complaints about charities
- develop relationships with other enforcement agencies so that enforcement activity is coordinated
- develop relationships with other agencies to contribute to fulfilling New Zealand's international obligations with regard to charities.

## Output 1.3 – Provision of information about charities

### Output description

Under this output, the Commission will:

- provide information to the public about the requirements of a registered charity, the Register of Charities and how the Register can be used
- provide information to the public about how complaints about charities can be made to the Commission and what actions the Commission is able to take if the complaint is upheld
- provide information to the public about the work of the Commission with respect to education in governance and management of charities
- supply information for the purposes of the Inland Revenue Acts

### Performance information

	Performance Measure for 2008/09	Standard/Target
1.2.1	Percentage of complaints about registered charities brought to the Commission's attention which are acknowledged and on which work is commenced to resolve the complaint within 25 working days	90%
1.2.2	A framework for inquiring into the conduct of registered charities is developed and approved by the Board	By 31 March 2009

- make information on the Register available to other relevant government and non-government agencies for analysis
- develop and implement a pragmatic and relevant research programme, in conjunction with other agencies
- engage with other Crown agencies, tertiary education agencies and private research entities to undertake research projects
- publish relevant and defensible research results to increase knowledge of the charitable sector
- publish occasional reports about charitable organisations.

### Performance information

	Performance Measures for 2008/09	Standard/Target
1.3.1	A strategic framework for research that is responsive to the needs of the charitable sector and other agencies is developed and approved by the Board	By 30 June 2009

## Output 1.4 – Provision of advice, education and information to charities

### Output description

Under this output, the Commission will:

- foster relationships and networks with the charitable sector
- provide information and support to help charities to apply for registration and complete annual returns under the Charities Act
- provide information and guidance as required on the implementation of the Charities Act and its regulations, and other matters affecting charities
- engage with the charitable sector and relevant government agencies to identify and develop research priorities
- act as a broker and clearing house for information on governance and management relevant to the charitable sector
- develop expertise in governance and management relevant to the charitable sector and make that expertise available through publications, workshops or advisory services
- utilise networks of other agencies to communicate with charities throughout New Zealand
- work with charities to promote the effective use of resources in pursuit of their charitable purposes
- use the information received from our monitoring activities to further develop our education programmes

### Performance information

	Performance Measures for 2008/09	Standard/Target
	<i>Registration information and support</i>	
1.4.1	Number of calls answered by the free phone advisory service <sup>3</sup>	Able to answer up to 2,000 calls per month
1.4.2	Percentage of sample of callers whose queries have been met by the free phone advisory service (at the time of the call)	90%
1.4.3	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information on registration and annual returns on the Commission's website <sup>4</sup>	90%
1.4.4	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the material included in the registration information pack <sup>4</sup>	90%
	<i>Advice on issues affecting charities</i>	
1.4.5	Work with the charitable sector to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is	Report to the Board by 30 June 2009
1.4.6	To hold an annual meeting, including an opportunity for feedback from the charitable sector on topics of interest	Not later than 30 November 2008
	<i>Information dissemination</i>	
1.4.7	Size of circulation list for monthly <i>Update</i> newsletter	over 4,000
1.4.8	Percentage of readership survey indicating satisfaction on appropriateness of <i>Update</i> newsletter <sup>4</sup>	90%
1.4.9	Number of information sheets provided on issues such as group registration and funding	5
1.4.10	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information sheets <sup>4</sup>	90%

<sup>3</sup> The free phone advisory service will continue to provide information and support for registration, annual returns and other regulatory matters

<sup>4</sup> An online survey of registered charities will be conducted by 31 March 2009 to address the appropriateness of:

- the information on registration and annual returns on the Commission's website
- the material included in the registration information pack
- Update newsletter
- the information sheets

## Output 1.5 – Provision of policy advice relating to charities

### Output description

Under this output, the Commission will consider, and report and make recommendations on any matter relating to charities that is referred to it by any Minister of the Crown or on its own motion.

This will include:

- providing policy advice and support on matters relating to charities, and information on the charitable sector to other government agencies
- providing timely and accurate advice to Government on issues that will assist the charitable sector to be more efficient and effective
- assisting policy makers and others to have a clearer understanding of the charitable sector

In fulfilling the aim of producing policy advice that meets the needs of stakeholders, the Commission requires that, to the extent to which time and cost-effectiveness considerations permit, policy advice produced meets the following quality criteria:

- purpose – advice should be short (where practicable), succinct and clearly focused
- consistency – advice takes account of other Government policies and decisions, and is consistent with the principles of the Treaty of Waitangi
- logic – the assumptions behind the advice are explicit and argument is logical and supported by the facts
- accuracy – the facts in the advice are legally and statistically accurate and all material facts and sources are included
- options – an appropriate range of options is presented

- consultation – there is evidence of adequate consultation with other government agencies and other affected parties
- practicality – the problems of implementation, technical feasibility, timing and consistency with other policies have been considered
- impartiality – the Charities Commission strives to provide professional, impartial and comprehensive advice to stakeholders

Performance information		
	Performance Measure for 2008/09	Standard/Target
	<i>Advice on issues affecting charities</i>	
1.5.1	Policy advice on the relationship of the charitable sector to the wider work programme of the Government: <ul style="list-style-type: none"> <li>• percentage of advice delivered in accordance with set quality criteria</li> <li>• percentage of advice delivered according to the agreed timeframes</li> <li>• percentage of advice considered satisfactory by the stakeholder receiving the advice</li> </ul>	100% 100% 90%

# Prospective Financial Information

## Significant Assumptions and Significant Accounting Policies

### Financial Planning Assumptions

#### Reporting Entity

The Charities Commission is a Crown entity established under the *Charities Act 2005* and is an autonomous Crown entity as defined by the *Crown Entities Act 2004*. The Charities Commission is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The Charities Commission's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Charities Commission has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

#### Basis of preparation

##### Statement of compliance

The prospective financial statements have been prepared in accordance with section 142 of the *Crown Entities Act 2004*, NZ IFRS, and the New Zealand Financial Reporting Standard (FRS) 42: Prospective Financial Statements.

##### Measurement base

The financial statements have been prepared on a historical cost basis, and are presented in New Zealand dollars.

##### Uncertainty

Under the *Charities Act 2005*, the Charities Commission is to provide a registration system for charitable organisations. As this is an entirely new process, there are a number of uncertainties surrounding the underlying assumptions used to develop these prospective financial statements. These uncertainties include:

- the number of applications for registration
- the timing of the receipt of applications

- the time to process each application
- the time to complete a review of an organisation's rules to see if it meets the charitable purpose test under the requirements of the Charities Act
- the proportion of registered entities with annual gross income greater than or less than \$10,000. This affects the projected annual return fees as no fee is payable by a registered charity that has annual gross income of less than \$10,000
- the proportion of annual returns received online and in hard copy form. This affects the projected annual return fees as there are different fees payable by a registered charity for submitting their annual return online (\$50 GST inclusive) or in hard copy (\$75 GST inclusive); and
- the ability to recruit sufficient qualified staff.

Where possible, we have used existing information available from the charitable sector as well as information from organisations who undertake similar functions within the public sector. However, there is still a risk that some of the underlying assumptions will prove to be incorrect.

The forecast financial statements demonstrate that based on current assumptions and funding levels, the Charities Commission is forecast to end the 2008/09 financial year with a working capital deficit and consequently may be unable to meet its short-term liabilities at 30 June 2009. The Charities Commission, in conjunction with the Department of Internal Affairs, is closely monitoring the situation and is working on strategies to mitigate this. The Charities Commission will prepare a business case for its responsible Minister to present to Cabinet in the first half of the 2008/09 financial year seeking additional funding in 2008/09 if this is required. If further funding is received that significantly changes the forecast financial statements or forecast service performance, an amended Statement of

Intent will be produced in accordance with section 148 of the *Crown Entities Act 2004*.

### Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied.

#### Revenue

Revenue is measured at the fair value of consideration received or receivable.

##### Crown funding

The Charities Commission is primarily funded through funding received from the Crown, which is restricted in its use for the purpose of the Charities Commission meeting its objectives as specified in the Statement of Intent. Such revenue is recognised when earned and is reported in the financial period to which it relates.

##### Annual return fees

The Charities Commission derives revenue through annual return fees received from registered charities. Such revenue is recognised when earned and is reported in the financial period to which it relates.

##### Interest

The Charities Commission also derives revenue through interest on its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

#### Leases

##### Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Charities Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance. The Charities

Commission leases office premises, printers, photocopiers and two car parks. As the lessor retains all the risks and the ownerships of these leases, they are classified as operating leases.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank accounts, deposits held at call with banks and other short-term investments with original maturities of three months or less.

### **Debtors and other receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **Property, plant and equipment**

Property, plant and equipment consist mainly of operational assets. These include leasehold improvements, computer hardware, furniture and fittings, and office equipment.

Property, plant and equipment are shown at initial cost less any accumulated depreciation and impairment losses.

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Computer equipment – 4 years (25%)
  - Furniture & fittings – 10 years (10%)
  - Office equipment – 10 years (10%)
  - Leasehold improvements – 12 years (8.3%)
- Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### **Intangible assets**

#### *Software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Charities Commission, are recognised as an intangible asset. Direct costs include the software development and employee costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives and associated amortisation rates of the classes of intangible assets have been estimated as follows:

- Computer software – 4 years (25%)
- Register software – 4 years (25%)

### **Impairment of non-financial assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Charities Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Financial Performance.

### **Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Employment entitlements**

#### *Short-term employee entitlements*

Employee entitlements that the Charities Commission expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not taken at balance date, and sick leave. The Charities Commission does not provide long service leave or retirement leave.

The Charities Commission recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Charities Commission anticipates it will be used by staff to cover those future absences.

### **Goods and Services Tax (GST)**

All items in these financial statements are presented exclusive of GST, except for receivables and payables, which are presented inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is disclosed separately in the Statement of Financial Position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income Tax**

The Charities Commission is, as a public authority, exempt from the payment of income tax. Accordingly, no charge for income tax is provided for.

### **Litigation fund**

The litigation fund was established to provide funds for major litigation activities. Interest income is reported as income of the Charities Commission in the financial period in which it is derived. Actual direct operating costs of litigation fund cases will be charged against the fund. Reimbursements from the Crown to top up the fund will be shown as income in the period in which the Charities Commission's claim for reimbursement is accepted by the Crown. The balance of the fund is disclosed as a component of taxpayers' funds in the Statement of Financial Position.

### **Taxpayers' funds**

This is the Crown's net investment in the Charities Commission.

### **Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)**

The impact of the Charities Commission's transition to NZ IFRS is minimal. Bank balances and short term deposits have been reclassified under the heading "Cash and cash equivalents" and Software acquisition and development have been transferred from Property, plant and equipment into "Intangible assets". There are no other significant differences in accounting policies.

### **Changes in Accounting Policies**

No changes are expected to accounting policies during the period.

# Prospective Financial Information

## Prospective Financial Statements

### Statement of Prospective Financial Performance for the years ending 30 June

	<b>Projected</b>	<b>Projected</b>
	<b>2007/08</b>	<b>2008/09</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Crown funding	5,747,333	3,148,000
Annual return fees	8,257	277,750
Interest	81,377	75,000
<b>Total Operating Revenue</b>	<b>5,836,967</b>	<b>3,500,750</b>
Interest – litigation fund	17,214	19,500
<b>Total Revenue</b>	<b>5,854,181</b>	<b>3,520,250</b>
<b>Expenses</b>		
Administration	990,209	709,239
Audit fees	35,000	35,000
Board members' fees	103,614	100,665
Communication and education	335,294	100,000
Depreciation and amortisation expense	227,769	311,664
Occupancy costs	175,289	190,515
Personnel costs	1,512,216	1,419,537
Professional fees	143,407	25,000
Registration – related costs	2,702,767	1,364,380
<b>Total Expenses</b>	<b>6,225,565</b>	<b>4,256,000</b>
<b>Net Deficit</b>	<b>(371,384)</b>	<b>(735,750)</b>

Statement of Prospective Movements in Taxpayers' Funds  
for the years ending 30 June

	<b>Projected 2007/08 \$</b>	<b>Projected 2008/09 \$</b>
<b>Net deficit</b>	(371,384)	(735,750)
Total recognised revenues and expenses for the year	(371,384)	(735,750)
Taxpayers' funds at beginning of year	1,580,498	1,209,114
Capital contribution received	-	-
<b>Taxpayers' funds at end of year</b>	<b>1,209,114</b>	<b>473,364</b>
<b>Comprising:</b>		
Accumulated funds	953,472	198,222
Litigation fund	255,642	275,142
	<b>1,209,114</b>	<b>473,364</b>

## Statement of Prospective Financial Position as at 30 June

	<b>Projected 2007/08</b>	<b>Projected 2008/09</b>
	\$	\$
<b>Taxpayers' Funds</b>		
Accumulated funds	953,472	198,222
Litigation fund	255,642	275,142
<b>Taxpayers' funds</b>	<b>1,209,114</b>	<b>473,364</b>
Represented by:		
<b>Current Assets</b>		
Cash and cash equivalents	683,241	287,129
Debtors and other receivables	10,000	10,000
Goods and Services Tax receivable	61,244	33,270
Total current assets	754,485	330,399
<b>Non-Current Assets</b>		
Property, plant and equipment	357,215	284,987
Intangible assets	772,208	532,772
Total non-current assets	1,129,423	817,759
<b>TOTAL ASSETS</b>	<b>1,883,908</b>	<b>1,148,158</b>
<b>Current Liabilities</b>		
Employee entitlements	174,794	174,794
Creditors and other payables	500,000	500,000
Total current liabilities	674,794	674,794
<b>TOTAL LIABILITIES</b>	<b>674,794</b>	<b>674,794</b>
<b>NET ASSETS</b>	<b>1,209,114</b>	<b>473,364</b>

## Statement of Prospective Cash Flows for the years ending 30 June

	<b>Projected 2007/08</b>	<b>Projected 2008/09</b>
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Cash is provided from:		
Crown funding	5,747,333	3,148,000
Annual return fees	8,257	277,750
Interest received	89,396	75,000
Interest received – litigation fund	17,214	19,500
Net GST to be paid	12,219	27,974
	5,874,419	3,548,224
Cash is disbursed to:		
Payments to suppliers	(4,509,861)	(2,524,799)
Payments to employees	(1,505,514)	(1,419,537)
<b>Net cash outflows used by operating activities</b>	<b>(140,956)</b>	<b>(396,112)</b>
<b>Cash Flows Used In Investing Activities</b>		
Cash is disbursed to:		
Purchase of property, plant and equipment	(88,480)	-
Purchase of intangible assets	(670,150)	-
<b>Net cash outflows used in investing activities</b>	<b>(758,630)</b>	<b>-</b>
Net decrease in cash and cash equivalents	(899,586)	(396,112)
Add opening cash and cash equivalents	1,582,827	683,241
<b>Closing cash and cash equivalents to be carried forward</b>	<b>683,241</b>	<b>287,129</b>

# Appendix

## Board Members' Biographies



### **Sid Ashton – Chair**

Sid Ashton, an Officer of the New Zealand Order of Merit for services to Māori and the Community, has been a Christchurch accountant for over 30 years. Sid chaired the Tax and Charities Working Party in 2001/2002.

Sid is currently serving as a member of the Creative New Zealand Arts Board and as a trustee for the Diabetes Training and Research Trust, which is a charitable trust. He is also a Director of Ryman Healthcare, a publicly listed company.



### **Judith Timpany – Deputy Chair**

Judith Timpany is the Chief Executive of the Whanganui Community Foundation Inc and a Justice of the Peace. She has qualifications in both commerce and community development.

Judith has 20 years experience in the charitable sector in a broad range of community focused activities, including three years as a Wanganui City Councillor, Chairmanship of Philanthropy New Zealand (currently a board member), and membership of WINGS CF (an international grant-maker's body). She has also held several corporate directorships.



### **Kerry Ayers – Board Member**

Kerry Ayers is a practising lawyer who has written extensively on trusts and property-related issues, including four legal textbooks. His work has also included extensive seminar presentations including a national seminar series for the New Zealand Law Society and the New Zealand Institute of Chartered Accountants. He has been involved in extensive work on issues relating to charities law and the setting up and administration of charitable entities.

Kerry was also a member of the New Zealand Law Commission consultative committee on reform of the law of trusts. He is a former Vice President of the New Zealand Law Society and a former board member of the New Zealand Law Foundation.



### **Ian Calder – Board Member**

Ian Calder, an Officer of the New Zealand Order of Merit for services to children and the family, has considerable experience in and knowledge of the not-for-profit sector. Ian was the Chief Executive of Barnardos New Zealand from 1976-2003, the President of the New Zealand Federation of Voluntary Welfare Organisations, Treasurer of the International Forum for Child Welfare, and a member of various government advisory boards including the 1988-89 Working Party on the Taxation of Charities and Sporting Bodies. From 2003 he has been a member of the Social Workers' Registration Board.



### **Amohaere Houkamau – Board Member**

Amohaere Houkamau is the Chief Executive of Te Rūnanga o Ngāti Porou, based in Ruatoria, and has played a leading role in developing a quadruple bottom-line development strategy for Ngāti Porou.

Amohaere is a member of the Board of the Māori Television Service. She is a trustee of the Tauawhi Trust and the Tairāwhiti Development Partnership Management Trust, co-chairs the Tairāwhiti Social Development Forum and E Tipu e Rea – the Ministry of Education and Ngāti Porou Education Partnership.



### **Frank Claridge – Board Member**

Frank Claridge is a Fellow of the New Zealand Institute of Chartered Accountants and serves on the Institute's Public Benefit Entity Working Group, and the Not-for-Profit Sector Advisory Committee. He was the Treasurer of the Royal New Zealand Foundation of the Blind for many years before retiring, and remains a trustee of the Foundation's property development trust. Frank has been continuously involved with the governance of the Methodist Church since 1962. He is a Fellow of the NZ Trustees Association, and a member of several other professional bodies, including the Fundraising Institute of New Zealand.

Frank served as a member of the Tax and Charities Working Party and the Ministry of Economic Development's Charities Commission Establishment Group. He is a past Treasurer of the New Zealand Federation of Voluntary Welfare Organisations.

Frank has been a Justice of the Peace since 1973. He has presented on various topics to many seminars and conferences, and currently works with a large number of community and voluntary agencies on capacity and organisational development.



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